

**Transcript of Remarks by Senate Budget Committee Chairman Kent Conrad (D-ND)
at Press Conference on CBO Report on Cost of 'Korea-Like' Presence in Iraq
September 20, 2007**

I wanted to put in some context the report that the Congressional Budget Office has provided, at my request, on the long-range cost of the conflict in Iraq.

You will recall when the war started Secretary Rumsfeld had this conversation on network news. He was asked: *“What should the public know right now about what a war with Iraq would look like and what the cost would be?”*

Secretary Rumsfeld: “The Office of Management and Budget estimated it would be something under \$50 billion.”

George Stephanopoulos: “Outside estimates say up to \$300 billion.”

Secretary Rumsfeld: “Baloney.”

Not only was the estimate of \$300 billion not baloney – in terms of the cost of the Iraq war – it was substantially below what the cost of the war has been thus far. So far, total appropriations for Iraq total \$567 billion, more than 10 times the original estimates by the administration.

In terms of making an assessment of how long this commitment might be, I think it is instructive to look at what Secretary Gates has said, and most important what the President of the United States has said. In May, the President, according to the Associated Press, likened our requirements for a stay in Iraq to what we have seen in Korea. The first paragraph of the story says, *“President Bush envisions a long-term U.S. troop presence in Iraq similar to the one in South Korea where American forces have helped keep an uneasy peace for more than 50 years, the White House said Wednesday.”*

I asked the Congressional Budget Office, based on that analogy, to look at what the cost could be under that kind of long-term commitment. As I have previously indicated, the cost so far is \$567 billion. Let me be swift to say that does not include the additional \$40 to \$50 billion we've been told the administration will ask for this year. The Congressional Budget Office estimates from 2009 to 2017, even if we go down to 75,000 troops in Iraq, that additional cost would be \$1 trillion. And then from 2018 to 2057, with a Korea-like presence, would cost another \$1 trillion [in constant FY '08 dollars], for a total of \$2.5 trillion.

To put this in some perspective, the estimated shortfall in Social Security over 75 years is in the \$4 trillion range. So we are talking roughly 60 percent of the shortfall in Social Security over 75 years being represented by an ongoing cost in Iraq if it was similar to what we have seen with respect to Korea.

I think this needs to be a part of the discussion and the debate. We have got a very serious financial challenge facing this country. And the President is clearly calling for a long-term commitment. We have had many signals sent to us that we should be thinking in terms of Korea, in terms of how long this commitment will need to be. This is truly a stunning amount of money – \$2.5 trillion. And that assumes a very substantial drawdown from current troop levels, and it assumes two different scenarios: one, a continuing combat scenario; another, a non-combat scenario. Under either one, the costs are very dramatic for this country.

With that, I'll take your questions.

Question: These numbers here, are they combat or non-combat scenario?

Conrad Answer:

This is the combat scenario. It is very hard for us to see how you could have 55,000 troops in that part of the world and not have an ongoing combat circumstance to be faced.

Question: (inaudible)...is there something the President is doing today that would lock his decision into place or is this something that can be revisited under a new administration?

Conrad Answer:

It can certainly be revisited under a new administration. But, we have had so many signals sent to us by the President of what he foresees is something like the commitment to Korea. You know, I have pulled one clip here – this is from May. But as recently as this month, he was likening this – and last month, the 22nd – he gave a speech in which he talked about it in terms of Korea.

I remember it very well some months ago after a briefing at the White House somebody asked off the record a White House official, unnamed, “What would be the duration of the commitment?” And the administration official said, “Think Korea.” That’s the reason why we asked for this construct.

Question: You said this should be part of the discussion. How should this become part of the discussion. Could you envision in any way this Congress fencing in... (inaudible)?

Conrad Answer:

When I said that this needs to be part of the discussion, what I meant by that is people need to have this information. My colleagues need to have this information. What are we really talking about when the President talks about an enduring commitment? What are we really talking about in terms of a resource commitment?

Let me just say that one of the things that I have read in my study of world history is that great powers often bleed themselves to death in foreign commitments. That has been so

frequently a part of the history of great powers. And I am increasingly concerned that our country is being put in that position, that we have made commitments all around the world in a way that is fundamentally going to weaken this country.

As you know, I am chairman of the Budget Committee. We are faced with very tough prospects already. We are faced with a circumstance in which the baby boomer are going to start to retire. We can't pay the bills now. By all accounts, by every estimate, the financial pressure on this government is going to grow in a way that is completely unsustainable. The head of the Government Accountability Office has told us that, the head of the Congressional Budget Office has told us that, the head of the Federal Reserve has told us that in open hearings before the Senate Budget Committee.

And now we hear the President talking about a long-term Korea-like commitment to Iraq. What does that mean? It is not just words on a page. It is resources. It is the lives of men and women, and it needs to be – I think, certainly in terms of the financial cost – quantified in a way to help people understand what we're really talking about here. The potential for an additional \$2 trillion over the \$567 billion already that has been committed. People deserve to know where this money is coming from.

Question: Do you think the administration should get the amount of money it asks for for funding the war?

Conrad Answer:

I have supported every dime that has been called for by the administration for men and women who have been sent under the authority of this country into combat. But this is an issue that goes way beyond 2008 or 2009. This is a question of the long-term commitment of the United States.

Question: (inaudible regarding supplemental)...and what do you see it going for, is it covering for the surge or is it just a miscalculation or equipment upgrade?

Conrad Answer:

We have consistently seen from the administration the low-balling of the estimates of what the war would cost. I started this session pointing out that Secretary Rumsfeld claimed at the beginning of this war that it would cost less than \$50 billion. When reminded that other outside experts were saying it could cost as much as \$300 billion, he said, "Baloney." Over and over and over each and every year this administration has dramatically under-estimated the cost of the war. That's a fact.

Question: These are nominal dollars, not constant dollars?

Conrad Answer:

Incorrect.

Question: Korea is not a combat situation. So is it fair to compare 50 years as in Korea using the combat numbers which are \$25 billion a year versus the non-combat numbers of \$10 billion a year?

Conrad Answer:

What you have is a circumstance in which you have to make a judgement. What is the likely outcome of having 55,000 troops, which is the CBO estimate, in a long-term commitment in the Middle East? Is it going to be the same kind of situation we have seen in Korea, or is it more likely to involve continued combat operations? I think most would tell you, experts on the Middle East, that it is highly unlikely to have a force of 55,000 in the Middle East and not be involved in combat. As you know, our forces in Korea face virtually no combat. We're talking about a Korea-like commitment in terms of time.

Question: Do you think the CBO study is really very accurate? I mean you cut the troops by a third and it is only \$25 billion a year? Doesn't that strike you as a little low?

Conrad Answer:

Yes, it probably is a conservative estimate. If you look at CBO's track record here, they have been conservative in their estimates of this war in cost. I assume that this is probably a conservative estimate.

Question: Your hearings this fall have focused on health care. Would you envision shifting to look at this topic and explore how this is changing the structure of the federal budget?

Conrad Answer:

I do think we have an obligation to have a hearing on this question, and I intend to do that this fall. This is information members of Congress deserve to have, the American people deserve to have, and we need to think carefully about the commitments of this country.

As I have said at one point, I have been increasingly concerned, as I read the history of great powers, that it is repeated over and over that they bleed themselves, they weaken themselves in foreign commitments. And I am increasingly concerned that our country is engaged in that same pattern.

Question: You said the Defense Department consistently low-balls its estimate. And the cost of the war has also grown year after year. To what do you attribute the increase?

Conrad Answer:

They have so low-balled their estimates that has a tendency to grow on you. Beyond that, the services have told me the equipment is failing at a rate that was unpredicted. And I think if you think about combat operations in Iraq, the extreme heat and sand, those are conditions that are devastating to modern military equipment. The Army has told me this. The Air Force has told me this. Other forces have repeated the same experience. They are going through equipment at a very rapid rate.

Question: If the economy should take a turn for the worse, and head into recession and therefore drive up the deficit, should that play a role into discussions (inaudible)?

Conrad Answer:

I think all of this has to be factored into a discussion in any rationale judgement about what we're doing. I'm very hopeful that we don't go into recession. I have had lengthy discussions with economists in the last week. We had Secretary Rubin and Deputy Secretary Roger Altman at lunch today. Most economic forecasters are still forecasting and hoping for a soft landing, that there would be reduced economic growth but still avoid recession. But virtually all of the mainstream economists in the country are now saying there is a one in three chance that we will fall into recession. That would reduce revenues. That would explode the deficit. That would explode debt. And, again, all at a very bad time just as the baby boom generation starts to retire.

Question: What did Altman and Rubin predict?

Conrad Answer:

I wouldn't want to speak for them. They are clearly concerned about systemic risk because of what is happening in credit markets, and because of the low savings rate in this country, and because of the growth of deficits and debt, and because of the long-term fiscal conditions we all know exist.

Question: Do you expect a debt limit bill before the Columbus Day recess?

Conrad Answer:

I don't know that. I have urged that there be absolutely no question that we are going to extend the debt limit. As you know, these are debts that have already been accrued. The bill has got to be paid. There should be absolutely no question in anyone's mind that we are going to extend the debt limit in a timely way. The last thing these financial markets need is an uncertainty.

Question: Do you believe Paulson's deadline or is there wiggle room there?

Conrad Answer:

Again, I think this should be done quickly and without any question that the debt limit of the United States is going to be extended so our bills can be paid and the credit worthiness of the United States is maintained. We all know that Treasury Secretaries have a lot of things in their tool box that they can extend the date. But that really is not the point here. I don't want to leave any question at all – we are going to, in a responsible way, extend the debt limit in a very timely manner.

Question: The Finance Committee went very quickly. Do you have any hint that any of your colleagues might want to hold it up?

Conrad Answer:

No. None. This is way too important to be playing any games with. These credit markets are shaky. There is clearly uncertainty, and it is very important that Congress and the President react responsibly, and we will.

Question: (inaudible – question regarding colleagues from both sides understanding issue)

Conrad Answer:

I think they absolutely do.

Question: Do you expect the debt ceiling increase to be clean without any attachments?

Conrad Answer:

I do. This is absolutely essential that we leave no doubt about meeting our obligations. The last thing these credit markets need is any uncertainty.

Question: Are you saying there shouldn't be any debate on the debt limit on the floor?

Conrad Answer:

No, I'm not saying that. I'm saying the action should be swift and timely and certain.